

Docket No.: R.12-03-014

Exhibit No.: _____

Date: August 9, 2012

**ALLIANCE FOR RETAIL ENERGY MARKETS,
DIRECT ACCESS CUSTOMER COALITION, AND
MARIN ENERGY AUTHORITY**

CROSS EXAMINATION EXHIBIT

**BEFORE THE
PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**

Rulemaking Regarding Whether, or Subject to
What Conditions, the Suspension of Direct
Access May Be Lifted Consistent with
Assembly Bill 1X and Decision 01-09-060

Rulemaking 07-05-025
(Filed May 24, 2007)

**OPENING BRIEF OF
PACIFIC GAS AND ELECTRIC COMPANY (U 39 E)**

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RPS-eligible energy.³⁵ Notably, the RECs Index proposed by PG&E is not limited to IOU transactions but can also include CCA, ESP and municipal utility RPS transactions. As SCE pointed out in reply testimony, using IOU-only prices may significantly skew the Green Benchmark.³⁶ Moreover, as DRA correctly explains, the evidence presented by the Joint Parties that the Marin Energy Authority (“MEA”) purchased significantly lower-cost RPS-eligible power further demonstrates that the IOU prices do not represent the market value of renewable attributes.³⁷

Finally, the Joint Parties’ Green Benchmark proposal is inequitable with regard to the treatment of utility-owned renewable projects. Because of depreciation, utility-owned resources are typically substantially more expensive in the early years of the life of the asset. The Joint Parties’ proposal does not use levelized prices for the life of a utility-owned generation resource. Instead, the Joint Parties propose using the first two years of the utility-owned resource price, which will likely be the highest utility-owned generation costs.³⁸ This would significantly skew the Green Benchmark.

b. Treatment of Renewable QF Contracts In The Vintaged Indifference Calculation.

The Joint Parties propose that the RPS adder be applied to the MPB based on the percentage of power associated with RPS-eligible energy in an IOU’s portfolio. If, for example, the IOU had 18% RPS-eligible energy, then the MPB would equal 0.82 times the commodity price plus 0.18 times the Green Benchmark proposed by the Joint Parties.³⁹ The problem with

³⁵ Ex. 105; Tr. 25:26 – 26:20 (Joint Parties, Fulmer).

³⁶ Ex. 301 at p. 11, lines 5-8 (SCE, Schichtl).

³⁷ Ex. 601 at 11, lines 1-13 (DRA, Ouyang).

³⁸ *Id.* at p. 10, lines 1-7; Tr. 20:22 – 23:25 (Joint Parties, Fulmer).

³⁹ Ex. 100 at p. 22, lines 18-22 (Joint Parties, Meal).